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## OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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Date Issued: August 17, 2009

IBA Report Number: 09-70

City Council Meeting Date: TBD

Item Number: TBD

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# Proposed Revisions to the SEDC and CCDC Operating Agreements and Corporation Bylaws

## OVERVIEW

Following the release in September 2008 of the performance audit of the Southeastern Economic Development Corporation (SEDC) by Macias Consulting Group, numerous City officials and stakeholders have participated in a deliberative and public process to develop a set of recommendations to effectuate greater oversight and accountability of the non-profit corporation redevelopment entities - Southeastern Economic Development Corporation (SEDC) and Centre City Development Corporation (CCDC).

A performance audit of CCDC released in July 2009, conducted by Sjoberg and Evashenk, further confirmed the need to strengthen oversight of the Corporations. Over the past several months, a significant focus has been on developing recommendations, for updating and strengthening the obsolete Operating Agreements between the Redevelopment Agency and the Corporations, which have not been updated since 1981 in the case of SEDC and 1986 in the case of CCDC. Both performance audits tied a number of their significant findings to deficiencies in the existing Operating Agreements. In the SEDC audit, the first recommendation from Macias and Gini states:

*“The City should revamp SEDC’s governance structure. Options to consider include: amend and update SEDC’s operating agreement to include representative of the City on the SEDC Board, limitations to the SEDC President’s authority; specific requirements for holding Board of Director meetings, as well as establishing requirements for SEDC Board of Directors’ training, budgeting practices, communication activities, project management, financial management, performance outcomes and mandating leave utilization...”*

Sjoberg and Evashenk noted similar concerns in its audit of CCDC:

*“Similarly, this audit revealed deficiencies that require attention; specifically, the operating agreement between the Agency and CCDC:*

- Does not mandate the CCDC employ an internal control structure sufficient to safeguard public assets;*
- Does not include sufficient specificity and updated provisions regarding allowable expenditures;*
- Lacks specific performance measures and requirements for reporting progress toward attaining established goals;*
- Does not clearly delineate the reporting relationship between CCDC and the Executive Director of the Agency.”*

While a great deal of focus has been on strengthening the Operating Agreements as recommended in the audits, the Corporation Bylaws have been examined as well in this process. A number of recommendations from the audits are more appropriately addressed within the Corporation Bylaws, particularly those that relate to providing the City, as the sole member of the Corporation, the authority necessary to expand its oversight role, and those that further clarify the Corporations’ accountability to the City and the taxpayers.

Other audit findings, outside the scope of this report, will be addressed through official responses and action steps developed by SEDC, CCDC and the City through the official audit process, which is managed and monitored by the City Auditor’s Office and periodically reported out to the City’s Audit Committee.

Following significant discussion and input at their meeting of July 15, 2009, the Rules Committee voted 5-0 to forward the proposals to the City Council without recommendation, with direction to the IBA to compile all recommendations from the Mayor’s Office, IBA, CCDC and SEDC Performance Audits, CCDC, SEDC, Rules and Audit Committees into one document. The “Proposed Revisions to the SEDC and CCDC Operating Agreements and Bylaws” presented in Attachment A, is a culmination of the work of the Audit and Rules Committees; the Mayor’s Office; the Independent Budget Analyst; the City Attorney’s Office; SEDC and CCDC on this matter.

Additionally, some of the recommendations reflect the results of additional research, analysis and discussion between the Mayor’s Office, the City Attorney’s Office and the IBA as requested by the Rules Committee in order to explore additional issues raised by Committee members and members of the public at that meeting and to further discuss areas of disagreement. Any significant areas of disagreement that remain between the entities are noted in the item descriptions. The matrix provided in Attachment B also outlines the evolution over the past several months of the proposals by showing original

IBA recommendations, the Audit Committee action, the Rules Committee action, SEDC and CCDC comments and the Mayor's Office responses to the Corporation comments.

## RECOMMENDATION

The IBA recommends that the City Council approve the proposed conceptual changes to the Articles of Incorporation, Bylaws and Operating Agreements of the Centre City Development Corporation (CCDC) and Southeastern Economic Development Corporation (SEDC). It is further recommended the IBA work with the Redevelopment Agency staff and the City Attorney's Office to make the proposed changes, as well as any related "cleanup" changes to the Articles of Incorporation, Bylaws and Operating Agreements of CCDC and SEDC and to return to the City Council and the RDA for final approval.

### [SIGNED]

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Attachment A – Proposed Revisions to SEDC/CCDC Operating Agreements and Bylaws  
Attachment B – Matrix of Recommended Changes to SEDC/CCDC Operating Agreements/Bylaws as of June 19, 2009